

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
Southern Division**

In re:

SHOOK & FLETCHER INSULATION CO.

Debtor-in-Possession.

**Case No. 02-02771-BGC-11
Chapter 11**

ENTERED

OCT 17 2002

**ORDER AUTHORIZING AND APPROVING COMPROMISE
AND SETTLEMENT WITH CERTAIN UNDERWRITERS AT LLOYD'S**

U.S. Bankruptcy Court
Northern District of Alabama

The Court has considered the Motion of Shook & Fletcher Insulation Co. for Approval of Settlement Agreement and Release Between Shook & Fletcher Insulation Co. and Certain Underwriters at Lloyd's, London (the "Motion") filed by Shook & Fletcher Insulation Co., the debtor and debtor-in-possession herein ("Shook & Fletcher" or the "Debtor"), seeking approval of a compromise and settlement agreement (appended hereto as "Exhibit 1" and referred to herein as the "Settlement Agreement"). Capitalized terms used in this Order and not otherwise defined shall have the respective defined meanings set forth in such Settlement Agreement or in the Disclosure Statement dated February 18, 2002 and filed with the Court on April 8, 2002 (Docket No. 9). The Settlement Agreement relates to certain claims made by Shook & Fletcher against insurance policies subscribed to by Underwriters at Lloyd's (the "London Insurance Policies").

Adequate notice of the Motion and of the hearing on the Motion was given (a) by mailing a copy of the Motion and notice of the hearing on the Motion to: (i) counsel for the Asbestos Claimants Committee appointed in the Debtor's Chapter 11 Case (the "ACC") (ii) counsel to the

309

Futures Representative; (iii) counsel for the Center for Claims Resolution; (iv) the attorneys representing Asbestos Claimants who as of the date the Motion was filed, have filed with the Court either (1) a Proof of Claim or (2) a notice in accordance with the Court's Order Approving Notice Procedures for Included Asbestos Claimants, entered May 2, 2002; (v) all other Persons or Entities that, as of the date the Motion was filed, had filed a notice of appearance and demand for service of papers in the Debtor's Chapter 11 Case; and (b) in accordance with the Court's order of May 2, 2002 (the "Notice Order"), to all Asbestos Claimants; and (c) by publication in accordance with the Notice Order.

A hearing on the Motion was held on October 17, 2002 (the "Hearing") to consider the approval of the Settlement Agreement and all interested parties were given an opportunity to be heard and to present evidence. Based upon the record of the Hearing and of this Chapter 11 Case, and after due deliberation and sufficient cause appearing therefor:

The Court hereby FINDS that:

A. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This Motion presents a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(A), (M) and (O).

B. The notice of the Motion and of the hearing on the Motion described above constitutes due, sufficient, and timely notice to all persons entitled thereto in accordance with the requirements of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedures, and of due process. No other or further notice of the Motion, of the hearing on the Motion or of the request for entry of this Order is necessary.

C. The Debtor and Underwriters at Lloyd's negotiated at arm's length and in good faith to reach agreement on the matters resolved through the Settlement Agreement.

D. The compromise contained in the Settlement Agreement is a valid and proper exercise of the Debtor's business judgment and represents an exchange for reasonably equivalent value.

E. Any interest of the Debtor in or under the London Insurance Policies and any right of the Debtor to receive any portion of the Settlement Amount constitute the exclusive property of the Debtor's bankruptcy estates (the "Estate").

F. All parties who claim an interest in the London Insurance Policies or the proceeds of the London Insurance Policies have consented to the relief granted herein or assert claims that are the subject of bona fide disputes.

G. The Settlement Agreement results in substantial benefits to the Debtor's Estate and its Creditors and Demand holders, including but not limited to: (i) settlement of complex potential litigation, and (ii) payment by Underwriters at Lloyd's of the Settlement Amount for the benefit of the Estate and of present and future Asbestos Claimants.

H. Each of the following factors has been taken into account by the Parties in reaching the compromises embodied in the Agreement, and each factor supports approval of the Agreement:

a) the probability of success in the litigation of the claims between the Debtor and Underwriters at Lloyd's;

b) the difficulties, if any, to be encountered in the matter of collections of any claim by the Debtor against Underwriters at Lloyd's;

c) the complexity of the litigation between the Debtor and Underwriters at Lloyd's, and the expense, inconvenience, and delay necessarily attending it;

d) the paramount interest of creditors and a proper deference to their reasonable views in the premises.

I. The terms of the compromise and exchanges of consideration set forth in the Settlement Agreement: (i) are in the best interests of the Debtor, its Estate, and its Creditors; and (ii) are entered into in good faith.

J. By entering into the Settlement Agreement, the Parties have compromised their positions and have not admitted to or waived any legal, factual or other positions with respect to the Coverage Dispute or other disputes between the Parties, the London Insurance Policies, the insurance relationship between the Parties, or any other matter.

NOW, THEREFORE, pursuant to Bankruptcy Code §§ 105(a), 363, 1107 and 1108 and Rule 9019(a) of the Federal Rules of Bankruptcy Procedure, IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. The Motion shall be and hereby is GRANTED in all respects subject to the provisions of this order, and the Settlement Agreement is hereby approved in all respects.

2. The Debtor is hereby authorized, empowered and directed to take all necessary acts to carry out and implement the Settlement Agreement in accordance with its terms without

further order of the Court, including, subject to the Settlement Agreement but otherwise without limitation, effectuating the buyback by Underwriters at Lloyd's of the London Insurance Policies and seeking in good faith for Underwriters at Lloyd's the protection of an injunction under Bankruptcy Code § 105 and § 524(g)(2). The Settlement Agreement and this Order constitute valid and binding obligations of the Debtor and of its Estate, which shall be enforceable in accordance with the terms thereof.

3. Subject to the terms of the Settlement Agreement, immediately upon payment in full by Underwriters at Lloyd's of the Settlement Amount to the registry of the Court ("Court Registry") in accordance with the terms of the Settlement Agreement, and without the necessity of any further act by Shook & Fletcher, all of the rights, titles, interests, and benefits of Shook & Fletcher and of its Estate under, to, or in connection with any of the London Insurance Policies are transferred, sold, and assigned to the Underwriters at Lloyd's, such transfer sale, and assignment being free and clear of any and all liens, claims, and encumbrances whatsoever. Upon any reimbursement to Underwriters at Lloyds's of the Settlement Amount from the Court Registry and in accordance with the Settlement Agreement, the sale and assignment set forth in this paragraph shall become a nullity.

4. Subject to the terms of the Settlement Agreement, the releases set forth in Section V of the Settlement Agreement shall become effective immediately upon payment in full by Underwriters at Lloyd's of the Settlement Amount to the Court Registry as specified in Section II.A of the Settlement Agreement and shall be given effect by this Court to the full extent of this Court's power exercising its jurisdiction over the London Insurance Policies to administer and dispose of property of the Estate. Without limiting the foregoing, subject to provisions of the Settlement Agreement providing for reinstatement of claims in certain circumstances, and except

for obligations of Underwriters at Lloyd's with respect to payment of the Settlement Amount, the Underwriters at Lloyd's Releasees are released from any further liability or obligation to pay, with respect to or in connection with coverage provided or allegedly provided by Underwriters at Lloyd's under or in connection with any of the London Insurance Policies, any additional amount to any Person, including but not limited to Shook & Fletcher, any related Person, any Trustee appointed in the Debtor's bankruptcy case now or in the future, any substantively consolidated estate in which the Debtor's Estate may be included, any Person or Entity that is or claims to be an insured under any such policy, and any subrogee (or direct or indirect transferee of a subrogee), or any other Person otherwise asserting the rights of any insured under any such policy. Upon any reimbursement to Underwriters at Lloyd's of the Settlement Amount from the Court Registry and in accordance with the Settlement Agreement, all of the Parties' Claims against each other released pursuant to the Settlement Agreement or pursuant to this Order shall be reinstated automatically without the need of further order of this Court.

5. Within thirty (30) days from the entry of this Order, Underwriters at Lloyd's shall pay the Settlement Amount in full to the registry of this Court (the "Court Registry"). Funds held in the Court Registry shall be invested in accordance with the requirements of 11 U.S.C. § 345. The Settlement Amount shall be held by the Court Registry, and shall not be released to any Party until entry of an Order by this Court, or any other Court of competent jurisdiction, authorizing the release of the Settlement Amount, subject to the terms and conditions of the Settlement Agreement.

6. The Court shall retain jurisdiction over any proceeding that involves the validity, enforceability, application, scope, construction, or modification of (i) the Settlement Agreement

and any of its provisions, and (ii) this Approval Order, and the Court may make such further orders with respect thereto as are necessary and proper.

7. The terms of this Order shall survive the dismissal of the Debtor's bankruptcy case and/or the confirmation of any plan of reorganization in the Debtor's bankruptcy case.

Dated: October 17, 2002


United States Bankruptcy Judge